

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
Budget Retreat

October 1, 2002
6:00 p.m.

Conference Room 1 A/B – Leavitt Bldg.
City Hall - Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee¹, Mosher, and Noble

ABSENT: None.

1. Executive Session

Mayor Marshall opened the meeting at 6:05 p.m. and announced recess to executive session for approximately 30 minutes to discuss one item of potential litigation. The study session resumed at 6:30 p.m. with Mayor Marshall presiding.

2. Budget Retreat

City Manager Steve Sarkozy described the purpose of the meeting as a quick overview of the preliminary budget, which will be presented to Council on October 28. Council discussions since April have provided direction to staff for both the operating and Capital Investment Program (CIP) budgets. Mr. Sarkozy noted Council's increased involvement in the budget process with approximately 32 hours of meeting time so far this year compared to 7 to 11 hours of early involvement in previous years. Council budget review sessions will be held throughout November, including the third public hearing on November 18. Budget adoption is scheduled for December 2.

Jonathan Swift, Senior Budget Analyst, presented an updated economic forecast. Bellevue has been hit harder than many Puget Sound cities with declining retail sales two years in a row. Therefore, a slow recovery to previous base revenue levels is anticipated. Business and occupation (B&O) tax revenues indicate declines in the construction and business services sectors while retail and wholesale sales have been less affected and are showing signs of recovery. Automobile sales have continued to be strong. High office vacancy rates in Bellevue are expected to take several years to return to normal. Businesses registered in Bellevue declined in 2001 but have increased in 2002. The Puget Sound area experienced a sharp decline in

¹ Mr. Lee arrived at 6:20 p.m.

employment in 2001, dropping by 3.7 percent compared to the national average of 1.3 percent. Mr. Swift said all of these economic factors have a significant impact on the City's revenue streams. Councilmember Lee requested more information on Bellevue auto sales.

Mr. Sarkozy noted that other cities and the state government are also facing significant budget challenges. He said the past conservatism of Bellevue City Councils allowed the City to set aside reserve funds, which help to alleviate the current situation. Councilmember Mosher said this area has been harder hit by the recession because of the concentration of technology businesses.

Mr. Sarkozy reviewed pages 8 and 9 of the Council packet which summarize how the proposed Operating Budget responds to Council direction. Brad Miyake, Interim Finance Director, noted that a proposed water rate increase of 15 percent has been decreased to 9 or 10 percent based on an anticipated change in the wholesale cost of water from Seattle.

Responding to Mayor Marshall, Police Chief Jim Montgomery said the new neighborhood police station to be located downtown will be fully funded by the City. It will be staffed by an existing police officer and citizen volunteers. He said the only potential partnership would be with the King County Sheriff's Department, which is also facing significant budget cutbacks.

Mr. Sarkozy said both the operating and capital budgets will experience reduced funding. He referred to page 12 of the Council packet for an overview of CIP funding. The 2003-2009 CIP Plan is estimated at \$230 million compared to \$300 million for the 2001-2007 CIP Plan. This reflects decreased revenue from a variety of sources including grants, intergovernmental and development contributions, transportation impact fees, general CIP revenues (sales tax and B&O tax), and the real estate excise tax (REET).

Turning to page 13, Mr. Sarkozy reviewed the major components of the proposed CIP Plan. A recosting of existing projects in the 2003-2009 CIP Plan resulted in total estimated expenditures of \$241.1 million compared to available revenue of \$230 million. Based on the decline in revenue projections, new major projects are limited to:

- Finance/HR systems replacement - \$14,983,000
- Neighborhood Investment Strategy (NIS) program - \$6 to 15 million
- Downtown Implementation Plan - \$3,310,000
- Council contingency - \$2.4 million or more. Mr. Sarkozy recommended the establishment of a contingency project to address emerging opportunities as they arise.

Mr. Sarkozy noted reductions totaling \$34.2 million proposed for 13 projects (Pages 14-16 of the Council packet). Responding to Dr. Davidson, Assistant Transportation Director David Berg said proposed reductions to two projects involving 148th Avenue will not affect the City's BROTS (Bellevue Redmond Overlake Transportation Study) agreement with the City of Redmond. The projects will still be completed within the BROTS agreement timeframe. Mr. Sarkozy noted Redmond will likely be reprogramming its CIP projects as well.

Mr. Creighton is reluctant to decrease funding for park acquisitions and the Neighborhood Enhancement Program (NEP). Deputy Mayor Degginger concurred. Mayor Marshall is hopeful the parks bond measure will be approved by voters. She questioned the impact of reduced funding on the Eastgate Boeing site. Mr. Sarkozy said the City can still buy the site but park development will be delayed.

Moving on to page 20 of the Council packet, Mr. Sarkozy noted the list of proposed 2003-2009 CIP transportation projects. Responding to Mr. Noble, Mr. Berg said the Transportation Commission concurred with staff's recommendations.

Councilmembers requested additional information pertaining to the need for all of the transportation projects, public involvement costs, design costs to date, and costs related to Endangered Species Act requirements. Mr. Mosher requested information about the City's street overlay program and how it compares to other cities' practices.

Mr. Berg described proposed reductions to selected projects. Staff proposes eliminating the Bellevue Way/Northup Way project (a reduction of \$637,000), due to significant impacts to adjacent restaurants, and implementing traffic signal changes as an alternative. Staff recommends that the East Bellevue/BROTS implementation and planning project is not needed at this time, resulting in a reduction of \$218,000. Planned improvements to 130th Avenue NE could be eliminated for a savings of \$2,843,000. Mr. Berg said the Bellevue Way NE lighting project can be scaled back (a reduction of \$347,000) because Puget Sound Energy will complete the majority of the project using existing light poles.

Mr. Berg reviewed a list of currently unfunded projects to replace the proposed reductions/deletions (Handout #4).

At 8:25 p.m., Mayor Marshall declared a break. The meeting resumed at 8:35 p.m.

Staff briefly reviewed the proposed CIP Plan for the Parks Department (Pages 24 and 25 of the Council packet). Moving to the General Government CIP Plan, Mr. Miyake noted a proposed reduction of \$10.4 million and a recommendation for no new projects. Page 29 provides the CIP Plan for Public Safety, reflecting a proposed reduction of \$372,000.

Turning to page 31 of the Council packet, Mr. Miyake noted that Handout #5 is a revised version of the Community and Economic Development CIP Plan. Planning and Community Development Director Matt Terry noted proposals to reduce funding by \$375,000 for the Downtown Parking Initiative and to reduce funding by \$375,000 for the Gateways and Neighborhood Identity projects.

Councilmember Lee spoke in favor of retaining funding for the Downtown Parking Initiative. Mayor Marshall suggested adding funding for a Children's Museum in Bellevue, which would be achieved by reducing funding for another project.

Moving on, Mr. Miyake referenced page 33 of the Council packet and a proposed reduction of \$1.1 million for Neighborhood Enhancement Program (NEP) funding. Mr. Terry said there is insufficient staffing capacity to support a higher funding level at this time.

Mr. Mosher expressed concern about reducing both NEP and neighborhood gateway funding at the same time. Responding to Mrs. Marshall, Mr. Terry said staff resources could be shifted in the long term after immediate projects and priorities are completed. Mr. Creighton and Mr. Lee concurred with Mr. Mosher's concerns and expressed support for neighborhood projects.

Mr. Terry reviewed capital project recommendations generated by the West Lake Hills Neighborhood Investment Strategy effort (Handout #6).

Mr. Miyake reviewed Handout #7 containing the Water, Sewer, and Storm Drainage CIP Plans. Staff responded to brief Council questions about specific projects.

Referring to page 53 of the Council packet, Mayor Marshall requested a management brief describing how Medic 14 funds are allocated to and utilized by the City. Referring to page 63, Mrs. Marshall emphasized Council's interest in employee compensation and pay for performance measures.

Mayor Marshall thanked staff for their hard work. Councilmembers confirmed they have been pleased with the increased involvement in this budget process.

At 9:44 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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